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HEADLINE: Operation Anaconda Has Ended; Air Patrols Over Major Cities Will be Scaled Back

BYLINE: Forrest Sawyer; Tom Aspell; Jim Miklaszewski; Jane Watrel; Katie Couric; Jim Kosek; David Gregory

GUESTS: Bernard Trainor; Mark Regev; Nasser Al-Kidwa; Warren Bass

HIGHLIGHT:

Operation Anaconda, the harshest battle of the Afghan war so far, a battle that left eight United States troops dead, has now ended. Military officials confirmed today the Bush administration has decided to cut back on protective combat flights over America, which have been the norm since September 11. The vice president arrived in Israel prepared to make a push for peace, and he met with the Israeli prime minister, Ariel Sharon.

BODY:

THIS IS A RUSH TRANSCRIPT. THIS COPY MAY NOT BE IN ITS FINAL FORM AND MAY BE UPDATED.

FORREST SAWYER, GUEST ANCHOR: The next phase of the Afghanistan war begins. The bloodiest battle so far is over tonight. But once again, too many enemy fighters may have gotten away.

(BEGIN VIDEO CLIP)

GENERAL TOM FRANKS, U.S. CENTRAL COMMAND COMMANDER: I won't talk to you about numbers of casualties and I won't talk to you about body counts. But I will say that the

area around Shah-E-Kot is a completely different area than it was two weeks ago.

(END VIDEO CLIP)

SAWYER: Plans to scale back security in the skies over New York and other big U.S. cities. Is it time, or is it too soon?

Vice President Cheney in Israel to push for peace, as the Israeli army makes a big concession to the Palestinians. Is there reason for hope?

And tonight, an in-depth look at the terror tactics in the Middle East. Are months of suicide bombings actually giving the Palestinians the advantage?

Also, the government breaks open an on-line child pornography ring they say involved thousands of predators, including police officers and clergy members.

(BEGIN VIDEO CLIP)

JOHN ASHCROFT, ATTORNEY GENERAL: It is clear that a new marketplace for child pornography has emerged in the dark corners of cyberspace.

(END VIDEO CLIP)

SAWYER: And a look at the car that has the dubious distinction of getting stolen in the U.S. more than any other vehicle.

Good evening. Operation Anaconda, the harshest battle of the Afghan war so far, a battle that left eight United States troops dead, is now officially over. But the effort to search for and destroy reforming groups of al Qaeda and Taliban resistance is still very much under way. It is a near certainty that more tough fights are ahead.

As General Tommy Franks put it, battles that may well be the size of Anaconda. Franks also called Anaconda an unqualified success. But the size of the success is far from clear. How many of the enemy were actually killed? How many got away? How effective was the battle in breaking the spirit of resistance? These are questions still to be answered.

But today for the U.S., it was a time to honor the country's warriors. Our coverage begins with NBC's Tom Aspell.

(BEGIN VIDEOTAPE)

TOM ASPELL, NBC NEWS CORRESPONDENT (voice-over): The commander of the war in Afghanistan, General Tommy Franks, at Bagram air base this morning, declaring Operation Anaconda over, giving out bronze stars for bravery to soldiers of the 10th mountain division.

FRANKS: You are so special. Thanks a lot for being who you are and doing what you do for all these people.

ASPELL: Franks called Anaconda an unqualified success. But how big a success remains somewhat unclear. Backed by massive air support, 1,200 American soldiers and their coalition allies were helicoptered 10,000 feet up into the mountains of eastern Afghanistan to flush out al Qaeda and Taliban fighters dug into caves and bunkers around the Shah-E-Kot valley.

Eight Americans were killed and 50 wounded in the opening days of the battle, but even back then U.S. commanders were confident their men in the mountains had the upper hand.

MAJ. BRYAN HILFERTY, U.S. ARMY: We observed them through different intelligence sources and we brought firepower to bear on them. We think we killed several hundred of them.

ASPELL: But today, Franks would offer no such estimate.

FRANKS: I won't talk to you about numbers of casualties and I won't talk to you about body count. But I will say that the area is a completely different area than it was two weeks ago.

ASPELL: And today, the Pentagon preferred to concentrate on the overall mission against al Qaeda and the Taliban.

VICTORIA CLARKE, PENTAGON SPOKESPERSON: Rooting out the al Qaeda and the Taliban, clearly we are doing that. Getting them on the run. Making it difficult for them to work and coordinate with one another. Clearly, the objectives we've laid out are being accomplished.

BRIG. GEN. JOHN ROSA JR., JOINT CHIEFS OF STAFF: Anaconda was important for a couple of reasons. No. 1, it showed the Taliban and the al Qaeda that the American folks were serious. Our troops are up to the task.

ASPELL: Operation Anaconda may have destroyed another al Qaeda and Taliban sanctuary in Afghanistan's eastern mountains, but there's still no sign of their leaders.

LEE HAMILTON, WOODROW WILSON INT'L CENTER FOR SCHOLARS: I don't think we can ever declare victory, or even a partial victory, unless we get the top leaders of al Qaeda. And we've not succeed in the doing that yet.

ASPELL (on camera): The military says there will be more operations like Anaconda, perhaps in southeastern Afghanistan, next. And they're giving every indication that American troops will be here for at least a year. Tom Aspell, NBC News, Kabul.

(END VIDEOTAPE)

SAWYER: So you see, it is not clear just how successful Operation Anaconda really was, or what steps the U.S. should take next. Let's get a military point of view. We're joined by retired Marine Lieutenant General Bernard Trainor. He's a veteran of the Korean and Vietnam wars and he is a senior fellow at the council on foreign relations and, we're proud to say, an MSNBC analyst.

General, as you look at what has been coming out of the Pentagon, first comments about large numbers of bodies. And now, well, we're not going to talk about bodies. What do you make of that?

LT. GEN. BERNARD TRAINOR, RET., U.S. MARINE CORPS: I have to tell you, Forrest, I think the Pentagon is starting to lose its credibility. There's great anticipation for victories from the briefings that you get. We're going to give it to them at Tora Bora. They're not going to escape.

First of all, it's unrealistic to think that you're going to seal off anything along that Pakistan-

Afghan border up in the mountains. But Tora Bora did all the bombing and so forth. And what do we find? Virtually nothing. We found caves.

Then we talked about Anaconda. We're going to constrict them. I mean, we're going to choke them to death. So what happens? We start off the operation. The first thing that happens, we get ambushed and lose eight people. After that we have fierce fighting, in which we take virtually no casualties, neither did the Afghans.

And in the end, what do we find? We find no evidence of any sort of victory. And if you take an empty cave on a mountaintop, it's a repeat of Tora Bora. And they're going to lead us a merry chase forever out there. I mean, we've got to do something, yet if we're not doing what we had hoped to do, they should not raise our expectations and call this marvelous success.

SAWYER: You and I have been talking about this since the very beginning. Here's another way of looking at it. Some analysts said, look, the Taliban are going to give up the cities anyway. They can't control them against a hierarchical power like the United States.

They're going to move into the hills, they'll disperse. They'll begin to form and reform, and constantly be on the move. And they will hope to wear down the United States over years, and hope to build up resistance to a foreign force among the Afghan population. Does that sound like a good idea?

TRAINOR: Sure it is. I mean, the key is we've got to kill these people, most of all their leadership. But we have no evidence that we've done that. And yet we get these stories that we're doing swimmingly well.

Forrest, it reminds me of the early days of the Vietnam War, with the 5:00 briefings in Saigon, which became known as the 5:00 follies, where everybody said we're doing very well, there's a light at the end of the tunnel. Well, it turned out the light at the end of the tunnel was a train coming towards our forces. And that the reporters in the field were able to see what the truth was, as opposed to what they were getting out of the 5:00 follies. There's a certain element of that here.

SAWYER: Let's look at it from the administration's point of view. I heard this talk way back at the beginning of this fighting, when people said, you know what, they're not going to take Mazar-e Sharif until sometime around June. They're going to be stuck up there in those cold mountains. It's going to be a long, ugly battle. But in fact, a lot of cave-in happened very, very fast, and we were all surprised.

TRAINOR: Well, it's true, in terms of the cities. But we're in the mountains and the cold weather right now. So apparently, some of those predictions are coming true. What I'm saying is, look, the administration shouldn't be putting such a glowing color and light on the thing. They should be talking about the realities.

The American people are not stupid and they're not naive. They understand this is a very difficult war and that it's going to go on for a very long time. They're not afraid to take casualties. They've already taken 3,000 casualties. So they shouldn't be giving us these glowing stories. They should be a little more realistic about what's happening. You get the contradictory stories

from the people in the field.

SAWYER: I got your point. About 30 seconds left. Can this war actually be won in Afghanistan?

TRAINOR: Oh, surely. I think it can. If we put the effort into it, have a decent strategy and put the resources to it, and that may be ground forces. Surely, it's going to be won.

It's not going to be easy. You're going to manage this thing. You're never going to completely conquer the situation. You can reduce it to manageable proportions.

SAWYER: General Bernard Trainor, always good to talk to you.

TRAINOR: All right, Forrest.

SAWYER: And from the Pentagon tonight, word that the military is going to stop its around the clock combat air patrols back in the U.S. over major cities, including New York, that have been in place since September 11th. We've got details now from NBC News Pentagon correspondent, Jim Miklaszewski.

(BEGIN VIDEOTAPE)

JIM MIKLASZEWSKI, NBC CORRESPONDENT (voice-over): When President Bush took off from the White House today, U.S. fighter planes were circling high overhead, well out of sight for protection. But almost all of these combat air patrols were about to be grounded.

Military officials confirmed today the Bush administration has decided to cut back on protective combat flights over America.

CLARKE: It is very appropriate to take a look at the combat air patrol plan and say: what's appropriate at different times?

MIKLASZEWSKI: The proposed changes would end the round-the-clock patrols over New York City and at least a half-dozen other cities chosen at random each day, but would continue 24 hours per day, seven days a week, over Washington, D.C.

Instead, the number of combat planes on strip alert, sitting on runways prepared to scramble in an emergency, would be increased. With the real possibility one of these pilots may have to shoot down any plane that poses a threat.

UNIDENTIFIED MALE: If my country tells me that this is something I have to do, there won't be any hesitation.

MIKLASZEWSKI: But Pentagon officials now argue that with improved security at airports, and hardened cockpit doors on airliners, the potential threat has been reduced.

(on camera): But there's another reason for the cutback. The combat air operation has put tremendous stress on the Air Force, both in manpower and money.

(voice-over): Since September 11, the Air Force has used more than 11,000 personnel, 250 aircraft, at an estimated cost of \$800 million.

ROSA: Over time, as we become more efficient and we learn more about the threat, we

want to become the better stewards of the taxpayers' dollar.

MIKLASZEWSKI: In addition, while the Air Force has intercepted or reacted to more than 300 in-flight emergencies, almost all have been minor.

DAVID STEMPLER, AIR TRAVELERS ASSN.: Airline passengers should be relieved that these fighter planes are not up there, because they were really there to shoot down passenger planes.

MIKLASZEWSKI: Still, some members of Congress think it's too early to cut back combat flight.

SEN. CHARLES SCHUMER (D), NEW YORK: And if a little after six months, we're letting our guard down in this very significant way, I worry about the future.

MIKLASZEWSKI: Tonight U.S. warplanes are flying combat patrols over seven U.S. cities. But perhaps not for long. Jim Miklaszewski, NBC News, the Pentagon.

(END VIDEOTAPE)

SAWYER: And there is this bit of news. The State Department warning tonight, Americans may be facing more attacks against U.S. interests abroad. The warning comes after yesterday's grenade attack on a church in Pakistan near the U.S. embassy compound in Islamabad. Five people killed. That includes two Americans.

With security increased at official U.S. facilities abroad for months now, the State Department is saying that attacks are becoming more likely in other places where Americans gather, for instance, this church. An American missionary who survived the church attack talked about her experience today.

(BEGIN VIDEO CLIP)

DIANE SHERBECK, GRENADE ATTACK SURVIVOR: I just heard a loud noise. I turned around quickly to see what it was, and I saw a man standing there throwing these grenades. I've never seen a grenade before, but there were these three balls. And I knew right away what it was. I ran behind the piano. And I had a lot of bleeding from my head here, coming down into my face. But we just stayed there and prayed.

(END VIDEO CLIP)

SAWYER: The two Americans who were killed in the attack were an embassy employee and her teenage daughter.

Now to the Middle East. The Israeli Army is pulling out of Bethlehem. That's a key Palestinian precondition for a cease-fire. But the move has not brought an end to the fighting. And that is not good news for Vice President Dick Cheney, who arrived in Israel today. He met this evening with Prime Minister Ariel Sharon. Correspondent Jane Watrel has our report.

(BEGIN VIDEOTAPE)

JANE WATREL, NBC NEWS CORRESPONDENT (voice-over): The vice president

arrived in Israel prepared to make a full court press for peace.

CHENEY: Our goal is clear: to end the terror and violence, to build confidence between Israelis and Palestinians, that peace is not only possible but necessary.

WATREL: The vice president's visit comes during the first real movement in weeks toward a cease-fire. Israel has started to pull its troops out of an area near Bethlehem, a primary demand of the Palestinians. And PLO officials are hoping additional withdrawals will come.

SAEB EREKAT, CHIEF PALESTINIAN NEGOTIATOR: I really hope that in the next few hours, we will see the Israelis deploying from areas...

WATREL: The Israelis aren't ruling out additional withdrawals, but only, they say, if Palestinians stop suicide attacks and other acts of violence. On Sunday a Palestinian gunman opened fire in a Tel Aviv suburb, killing an 18-year-old high school student. And a suicide bomber blew himself up in front of a bus. In the West Bank town of Bethlehem, an armed Palestinian was killed in an exchange of fire with Israeli troops.

Prime Minister Ariel Sharon told Cheney Israel wants peace in the region and is investing every effort to reach a cease-fire. After months of warring, both sides have met several times with U.S. envoy Anthony Zinni, who arrived in the region last week.

Cheney is considering a possible meeting with Yasser Arafat. Aides say that would happen only if a cease-fire were at hand.

CHENEY: President Bush has outlined a vision in which two states, Israel and Palestine, can live together in peace and security.

WATREL (on camera): At the White House, Jane Watrel, NBC News.

(END VIDEOTAPE)

SAWYER: Even the smallest step toward peace in the Middle East is a painful one. In our second half-hour tonight, we're going to have our in-depth look at the desperate search for a cease-fire. That includes the tactics of terrorism. Why some are saying that terrorism may be working to Yasser Arafat's benefit.

Other news, the FBI is celebrating a victory in another battle. When we come back, federal agents break up a major child pornography ring. Dozens of arrests, including nurses, a teacher's aide and members of the clergy. We'll show you how the agents made their case.

And Andrea Yates, back in a Texas courtroom. Tonight, her husband on the case, on his children, and on his future.

(BEGIN VIDEO CLIP)

RUSSELL YATES, ANDREA'S HUSBAND: I know I did all could I for Andrea and the children. I don't second-guess my decisions along the way. I know I did all I could.

(END VIDEO CLIP)

(COMMERCIAL BREAK)

SAWYER: The FBI is saying tonight it has broken up a major child pornography ring. A ring that flourished on the Internet. But investigators are even more outraged by the kinds of people they say were involved. We have the story tonight from NBC News justice correspondent, Pete Williams.

(BEGIN VIDEOTAPE)

PETE WILLIAMS, NBC NEWS CORRESPONDENT (voice-over): In Houston today and in 20 other states, FBI agents arrested members of an Internet Web site that traded in sexually explicit pictures of children. Investigators say many of the 40 people arrested so far had jobs that put them in positions of protecting and helping young people.

BRUCE GEBHARDT, FBI: They include members of the clergy, law enforcement officers, a nurse, a teacher's aide, a school bus driver and others entrusted with protecting, nursing and educating the American youth.

WILLIAMS: The FBI says two of the clergy members were Catholic priests, both arrested previously. Also involved, law enforcement personnel in West Virginia and California, a camp counselor in Arizona, a handyman in Missouri. The FBI says they all used a Web site called the Candyman to exchange graphic child pornography.

The site, now shut down by investigators, was patronized by more than 7,000 users worldwide, about 2/3 of them in the U.S. Federal agents subpoenaed the site's unwitting host to get names of its users and track them down one by one. And investigators say 27 of those arrested have also admitted molesting three dozen children.

ASHCROFT: When we pursue child pornography, the path often leads to evidence of real sexual predators who have abused real children.

WILLIAMS: Today's arrests involved the discovery of an existing child porn exchange site. But federal and state agents also worked the Internet undercover, posing as young people, watching out for adults who try to find children willing to have sex. And FBI agents say it's impossible to know the true extent of the danger.

UNIDENTIFIED MALE: I mean, we're dealing with children. I would like to see a sweep a day, if we could, until we get them all out of there.

WILLIAMS (on camera): Federal agents say more arrests in this case are coming in the days ahead. Some of the Web site's users, the FBI says, don't even know they were under investigation and may soon be next. Pete Williams, NBC News, Washington.

(END VIDEOTAPE)

SAWYER: Other legal news tonight in California, closing arguments in the case of a woman who was mauled to death by her neighbor's dogs. Prosecutors held up casts made from one of the dog's jaws and asked if the jurors held to dog owners responsible for the killing. Defense attorneys called this an unforeseeable accident. If convicted, dog owner Marjorie Knoller could face 15 years in prison and her husband, up to four years.

A final step today in another highly-publicized trial. A judge in Texas has formally sentenced Andrea Yates to life in prison for drowning her five children. Now, she will not be eligible for parole for 40 years, when she will be 77 years old.

Now that the gag order has been lifted on the case, some of Yates' relatives are coming forward to say her husband did not do enough to help her cope with mental illness. Rusty Yates appeared on "The Today Show" this morning with Katie Couric to address those accusations.

(BEGIN VIDEO CLIP)

YATES: When something like this happens, people have to understand, you know, why did it happen? People want to understand why it happened. And unfortunately, what happens in most cases is people try to explain it in terms of things that they understand. You know, so if they don't understand the biochemical nature of Andrea's illness, then they're going to look to other things that they do understand.

So they'll say there must have been something else going on in that household. Or there must have been this or that. And it's all false. If you look at -- I mean, everywhere we went, we got this, you know, our family was complimented. Our children were beautiful. Andrea wasn't overwhelmed. You know, go to my Web site and look at our videos. I mean, there was no mounting pressure in our family or anything like that.

KATIE COURIC, NBC NEWS ANCHOR: You say she wasn't overwhelmed. But so many people think five children at home, home schooling them. A small home. That is an awful lot of pressure to put a woman under.

YATES: But like I said, you can see for yourself. Go look at the videos. We managed fine. I mean, there's too great a leap from where we lived and what our family lived like to what happened. There's no rational explanation for what happened, other than the fact that Andrea was psychotic.

And as far as not being attentive, I mean, I worked so hard to get medical treatment for her. I mean, unbelievably hard. We just couldn't get it.

COURIC: Do you ever look back, though, Rusty, and say if only I had done this? If only I had done that, then this tragedy might not have happened?

YATES: I've thought about that before. And I even said that the first day in my front yard. And obviously, that's like saying 20/20 hindsight, I could go back and change something, obviously I would. Obviously I would have stayed home that morning. It's almost the same as saying, do I wish my children were still here? Well, of course I do.

But I know that I did all I could for Andrea and the children. I don't second-guess my decisions along the way. I mean, I know that I did all I could.

(END VIDEO CLIP)

SAWYER: That's Rusty Yates speaking with Katie Couric this morning on "The Today Show."

When we come back on this Monday night, the hot list. Which cars on the road are also most often stolen? And where on the list is your car?

And the National Guard called up in several southeastern states after creeks and rivers spill over their banks. Is more rain headed that way?

(COMMERCIAL BREAK)

SAWYER: Some consumer news, certainly not the kind of recognition the folks at Toyota were looking for. For the fifth year in a row, the Camry is the No. 1 stolen vehicle in the nation. Now, the 1991 Camry was the most common. That was followed by last year's leader, the 1989 Camry. And then there's the top three, the 1990 Toyota Camry.

The list compiled every year by a group that tracks trends in vehicle theft for the insurance industry. A little good news over all. Nineteen of the top 25 most stolen cars unfortunately are Toyota Camrys, Honda Accords, Civics of varying years. All top seven believe they're stolen for their parts. But the good news is that overall last year vehicle thefts fell 2.7 percent.

How are the stocks? Next day on Wall Street, investors awaiting an announcement from the Federal Reserve tomorrow on interest rates. Most expecting them to stay right where they are. The Dow fell 29 points to close at 10,577. The Nasdaq gaining just a little bit more than 8 points, to close at 1,877.

Now we turn to the southeastern United States. The National Guard has been called in after massive flooding in Kentucky, in Tennessee and in Virginia. In some places, the flooding is being called the worst in 25 years -- as much as 7 inches of rain falling in just 36 hours. That forced hundreds to evacuate.

In Tennessee, the storm is being blamed for at least five deaths. Let's take a look at where that storm is tonight. We're joined by meteorologist Jim Kosek in the weather center. Jim, you have some good news out there at all?

JIM KOSEK, NBC NEWS CORRESPONDENT: We do for tonight, Forrest. But you really have to be humbled when you take a look at some of those pictures, there. You mentioned some of the hardest hit areas. Tennessee, an average of 4 to 8 inches across that state since this past weekend. But also, areas of Kentucky, West Virginia and Arkansas got in the act of the heavy rain.

Now, the good news for Tennessee, at least for tonight, the heavy rain has shifted to the north and to the west, as we can see on the latest Doppler radar, from Dallas-Fort Worth on northeast. The reason for that, a strong area of low pressure, or an upper level trough, if you will, coming through the great basin.

Now, the wind flow around low pressure is counterclockwise, so it's lifting all this subtropical moisture northward, at least for the time being. So rightly so, flash flood watches out in effect for no less than parts of 11 states during the course of the night. I wouldn't even be surprised if the area was expanded as we head into Tuesday.

The reason why? More and more moisture, not just out of the subtropics. From the Gulf of Mexico as well, and that allows the rain to expand from north Texas all the way off to the northeast. So it's kind of a good-news, bad-news scenario. Bad news is, flood and rains across Texas, the Ozarks, over into the Ohio valley during the course of Monday night. But on into portions of the Mid-Atlantic during the course of Tuesday. It's needed rainfall, Forrest, but it could be too much, too fast.

SAWYER: Jim Kosek, thanks very much, Jim.

And coming up next, tactics of terror: our in-depth look at the crisis in the Middle East. And a dangerous question: Just how effective a weapon is terrorism? (COMMERCIAL BREAK)

SAWYER: Vice President Cheney walking a diplomatic tightrope tonight in the Middle East, with political advantage appearing to shift to the Palestinians. How much are the tactics of terror hoping to shape the latest push for peace?

Welcome back.

After almost 18 months of fighting between Israelis and Palestinians, there may -- and I underscore "may" -- be a chance for a cease-fire tonight, in part because Palestinian violence has pushed the Israeli government into a painfully difficult political position. Even as Israeli troops were pulling out of Bethlehem, meeting a Palestinian demand, there have been more attacks on Israeli civilians, which raises a harsh question: Are such tactics working?

That's our in-depth topic tonight. But we begin with NBC News White House correspondent David Gregory, who is with Vice President Dick Cheney in Israel.

(BEGIN VIDEOTAPE)

DAVID GREGORY, NBC WHITE HOUSE CORRESPONDENT (voice-over): Mr. Cheney arrived in Israel with high hopes that his visit would coincide with the announcement of a cease-fire, but tonight, no deal, despite the initial optimism of the administration's special envoy, Anthony Zinni, whose shuttle diplomacy has included meetings with Prime Minister Sharon and Chairman Arafat in recent days, as well as a critical session today on laying the groundwork for a truce.

But, even as Israel began to withdraw troops tonight from Palestinian territories seized in recent weeks, U.S. officials familiar with the talks say the Palestinians are demanding more: total Israeli withdrawal from territories seized since the uprising began 17 months ago. Undermining the negotiations: more violence -- today the funeral for an 18-year-old Israeli girl killed yesterday outside Tel Aviv by a Palestinian gunman.

Before his meeting with Prime Minister Sharon, the vice president attempted to keep the pressure on.

DICK CHENEY, VICE PRESIDENT OF THE UNITED STATES: Our goal is clear: to end the terror and violence, to build confidence between Israelis and Palestinians that

peace is not only possible, but necessary.

GREGORY: For his part, Prime Minister Sharon, who the White House has criticized for ratcheting up the violence in recent weeks, today attempted to justify his aggressive stand against Palestinian terrorists by using the very words Mr. Bush has uttered to justify the war against al Qaeda.

ARIEL SHARON, ISRAELI PRIME MINISTER (through translator): A terror which knows no mercy. Therefore, the terrorists that dispatch themselves, who sponsor them, should not enjoy immunity or refuge.

GREGORY: Mr. Cheney says he wants to make a contribution to the peace process, perhaps even meeting with Yasser Arafat, but tonight still no decision on whether such a bold move will be taken.

(on camera): The ongoing violence is a setback to Mr. Cheney's larger effort during this trip: securing support for a war against Saddam Hussein, a prospect most Arab leaders will not back until the U.S. does more to end the fighting here.

David Gregory, NBC News, Jerusalem.

(END VIDEOTAPE)

SAWYER: With pressure mounting on Israeli Prime Minister Ariel Sharon to end the violence, more than a few people in the region are saying the tactics of terror have indeed been effective.

Some perspective now from Jerusalem-based "Newsweek" correspondent Dan Ephron in this first-person account.

(BEGIN VIDEOTAPE)

DAN EPHRON, "NEWSWEEK": On both sides, really, there's been a surge in violence. And I think each side says the other began with this surge. But, for the Palestinians, more violence, more bombings, more shootings has really meant, in some respect, a success.

It has put more pressure on the Israeli prime minister. For Israelis, as the level of Palestinian violence goes up, there is a greater urgency for a cease-fire and even a greater willingness to compromise. For Yasser Arafat, it has meant more international attention, more recognition, and finally this American truce mission, which Arafat has wanted for some months.

The Palestinians say openly that they have been inspired by the Hezbollah, by the militants in Lebanon, that the militants managed, through violence, through inflicting pain on Israelis, to get the Israelis to get up and withdraw. Militants in Lebanon killed about 25 Israeli soldiers per year in the last years of Israeli occupation in South Lebanon. The Palestinians have killed nearly 350 Israelis in the last year and a half alone. So, if the strategy worked for the militants in Lebanon, Palestinians certainly see it as something that could work for them.

What could be said is, the way Arafat has employed violence in the last couple of months has certainly produced gains for the Palestinians. It has brought about international decisions that are good for the Palestinians. And it brought American attention. I would imagine that the signal that gets sent is that, in certain scenarios, violence is effective. It does work.

I think we'll probably see in the next couple of days some kind of cease-fire, which in itself is an achievement. I think, if anyone talked a couple of weeks ago, or even a week ago, about Zinni coming and managing to pull these two sides together and to get them to announce a cease-fire, it would have looked very unrealistic.

The question is: How long can this cease-fire, if it is achieved, how long can it hold? And here you have to get at the interests of the Palestinians and the Israelis. I'm sure that Sharon has an interest in lowering the level of violence in terms of his own popularity. I'm not sure that, for Arafat's domestic and international interests, that lowering the level of violence serves him.

(END VIDEOTAPE)

SAWYER: That is "Newsweek" correspondent Dan Ephron from Jerusalem tonight on the tactics of terror in the Middle East conflict.

And we are joined by prominent spokesmen for both the Palestinians and the Israelis. Nasser Al-Kidwa is the Palestinian observer to the United Nations. Mark Regev is a spokesperson for the Israeli Embassy in Washington. And also joining us is Warren Baas, director of a terrorism project at the Council on Foreign Relations.

We want to learn a little more about all of these issues. We will hear their views on what has been happening and what may lie ahead when we come back. (COMMERCIAL BREAK)

SAWYER: Now we continue our look tonight at whether terrorism may actually be helping Palestinians in their fight to establish a Palestinian state in the Middle East.

We are joined tonight by Nasser Al-Kidwa. He's the Palestinian observer to the United Nations, joining us from New York; and from Washington, Mark Regev, the spokesperson for the Israeli Embassy; and from New York, Warren Bass, a director of the Terrorism Project at the Council on Foreign Relations.

Mr. Regev, it was not so very long ago that observers were saying that Yasser Arafat was effectively finished as the leader of the Palestinian people. Ariel Sharon himself said it. Now we see concessions from Israel, conciliatory tones from the United States. It appears that the advantage has shifted to the Palestinians. What happened?

MARK REGEV, ISRAELI EMBASSY SPOKESPERSON: Well, Forrest, I wouldn't say Mr. Arafat has come back on to center stage quite yet.

What we've done is, we want this peace option that General Zinni and the vice president are giving us. We want to give every chance to help that so that will work. We

want the cease-fire to stick. And that is why we are redeploying.

But might I say that our strategy to the Palestinians is twofold. On the one hand, if they want to return to negotiations, if they want to renounce terrorism and come back to talks, we're open to that, and we're willing for tough negotiations, and we're willing for some serious compromises. But if they keep to this strategy of terrorism, if they keep to this strategy of violence and murder that they've had over the last few months, they're going to get nothing.

You can't give in to terrorism, because giving into terrorism is like giving into blackmail. You're just asking for more terrorism down the road.

SAWYER: Well, Mr. Regev, you've said that before, but, in fact, you are pulling out of Bethlehem, which has been a precondition by the Palestinians. And it does appear that there is increasing pressure on Mr. Sharon from the Israeli people because of the Palestinian violence.

REGEV: Well, I wish there was an easy answer and a magical fix.

But can I say this? If terrorism persists from Bethlehem, if we do have more terrorist bombers, suicide bomber entering Israel from Bethlehem, we'll have to go in again. We don't go in there because we want to go in. We don't in there to recapture the city. We go in there to deal with those murderous terrorist gangs that do the suicide bombings that kill our civilians.

And may I remind you, you talked about that poor 18-year-old woman who was killed just yesterday in Israel. She was killed by a terrorist who was loyal to Chairman Yasser Arafat, one of his loyalists from the Fatah movement.

Now, we've got no illusions about Arafat. We want a deal. It will have to be transparent, because we don't trust him. Unfortunately, he's lied in the past about wanting peace and ending terrorism. He's unfortunately committed himself to the terrorism. And he won't get a single political concession from Israel as long as he is a terrorist.

SAWYER: Dr. Al-Kidwa, there are at least some people who believe that the Palestinian people, a large majority, actually would like the violence to continue and that there's not much chance of a cease-fire holding for very long. Is that true?

NASSER AL-KIDWA, PALESTINIAN OBSERVER TO THE UNITED NATIONS:
Rubbish, of course.

Let me first say that it's very unfortunate that nobody mentioned the eight Palestinians who were killed today and yesterday. Likewise, nobody mentioned that the overwhelming majority of the people killed or injured during the 17th month of the bloodshed were Palestinians. The Palestinian people were subjected to a huge military campaign conducted by the Israeli side.

Let's also not forget that the origin of all the problems is the existence of the occupation. And what we are looking for is ending this occupation and reaching a settlement between

Palestine and Israel.

SAWYER: Thank you, sir. And I appreciate your pointing that out. The question was: Do you believe that a cease-fire could actually hold? Could Arafat himself actually stop the fighting if he wanted to?

AL-KIDWA: Well, that, of course, is also linked with giving hope to the people.

The Palestinian people must be convinced that there is a light at the end of the tunnel. It's not a matter of stopping resisting the Israeli aggression and then there's no future for them. The security process must be conducted in the context of the political process. Otherwise, it will be very difficult to maintain any situation of calm, especially while the Israeli side is conducting its military operations against our people.

SAWYER: Mr. Bass, from an analytical point of view, put this in perspective. You hear both sides claim that the other has engaged, effectively, in terrorist tactics, as you heard Mr. Al-Kidwa say, that it's the Palestinian people who have been abused. And, as you hear Mr. Regev say, it is actually the Israelis who have been struggling against terrorism. How do you see it?

WARREN BASS, COUNCIL ON FOREIGN RELATIONS: Well, I think, just as a basic matter of definition, most of us who are foreign policy wonks on this issue think of terrorism as something that's done by nonstate actors, not by states. So, whatever human rights violations Israel may have committed in its dealings with the Palestinians, most foreign policy experts wouldn't actually call that terrorism.

But I think what do you hear from both sides is a sort of rising tide of self-pity and an insistence that each side has an exclusive claim on victimhood. And I think what's important for the two sides is to find some way to get past some of this and actually get back to the table. There was a reasonably good deal that was put forward. It wasn't perfect. There are all kinds of flaws with it. But I think you look at both sides and say, God, don't you wish you had that deal now rather than what your peoples are going through on both sides?

SAWYER: Well, Mr. Bass, some analysts are saying: Look, this has actually shifted in favor of the Palestinians. And so Yasser Arafat, and others who are not specifically with Yasser Arafat, have no great incentive to stop the violence at this point.

BASS: Well, I think over the short term, that's probably right. I think Arafat has embarked upon a pretty short-sighted strategy. He would have been a lot better off just staying around the negotiating table. The offers that the Israelis were talking about at the Camp David summit a few years ago are a whole lot better than any of the stuff that is being discussed now.

But, even so, I think it's important to recognize that there really aren't military answers to this and the two sides, somehow or another, are going to have to find their way back into some sort of a political process. What they're getting locked into now is something that increasingly resembles a war of attrition. And Israeli history sort of tells us that those don't

go terribly well for the Israeli. And 1,000 dead Palestinians surely has to tell the Palestinian leadership right now that this isn't going very well for their side either, whatever short-term tactical advantages they may think they've got.

SAWYER: Mr. Regev, is it possible, just picking up on what you had said earlier, that if the violence continues, that the violence on the Israeli side, the response will escalate?

REGEV: Well, I don't think Israel would ever target innocent civilians the way the Palestinians do. We'll strike and we'll strike hard against Palestinian terrorist targets, against the infrastructure of terror. And we'll also make a maximum effort to avoid civilian casualties. We don't want that. It's not in our interests. And we morally want to avoid that.

But can I say, the whole peace process which we used to have talked about land for peace. We give land. The Palestinians get their autonomy, their independence, and we have peace by them. Unfortunately we've given back, through the peace process, some 40 percent of the West Bank, and we're willing to give back much more in the framework of negotiations, but the land we've given back has become bases for terrorism. They attack us from this land. This land has become safe havens for terrorists.

And, unfortunately, you can't be expecting the Israeli government to be considering giving up more land to the Palestinians as long as land that has already been given back is being used to harbor terrorists and to attack Israelis.

SAWYER: Mr. Al-Kidwa, in fairness, you should be able to respond to that. The Israelis often say that they do not target civilians, whereas the Palestinians do.

AL-KIDWA: That's not true. I mean, the overwhelming majority of the Palestinian killed and wounded were civilians as well. The mere use of heavy weaponry, including tanks, in heavily populated areas will lead definitely to heavier casualties among civilians.

And, anyway, let me also respond to another point. The problem, the real problem is the fact that Prime Minister Sharon doesn't want a settlement. And he actually said that: that he doesn't want a final settlement. He wants only an agreement of lack of belligerency, some kind of another transition which will lead the Palestinian people to nowhere, no independence, no real independence, at least, no future, no prosperity.

That is the problem. And the rest emanates from this fact. The moment the Israeli side says, "OK, we are ready to proceed for a final settlement to implement Security Council Resolution 242 and 338," I think then the two sides will be able to go to a completely different situation, a completely different level of dealing with each other.

SAWYER: Mr. Bass, Just a few minutes left here. Make sense out of this. Hearing this conversation, it doesn't appear that hopes for a cease-fire and legitimate talk that would actually be substantive seems very strong tonight.

BASS: Well, I think, in some ways, one of the reasons that you're more likely to get a cease-fire now actually doesn't have to do with the Israeli-Palestinian arena. It has to do with Iraq.

And Vice President Cheney has been touring around Middle East capitals for the past 10 days. And everywhere he goes, he gets an earful about how the intifada is out of control, how Sharon is going too far. And Arab leader after leader has been saying: "Where are you guys? Where's the administration? You have to step in on this. And you can't think that we're going to be able to be there for you on Iraq unless you're able to tamp this thing down between Israelis and Palestinians. There's just such so much the traffic will bear."

So that actually puts a whole shift into this dynamic. You can hear our other two guests sort of bicker back and forth, but the reality is, it's a wider world out there. And this is a small regional conflict that fits into it. The reality is that, in some way or another, this has to be circumscribed in the U.S. national interest, simply because, if it goes too far, there's just real limits as to what the administration can do, either in terms of uprooting al Qaeda, in terms of dealing with some of the underlying problems in Arab politics that produced Osama bin Laden in the first place, and in even thinking about moving on to Saddam Hussein.

SAWYER: Warren Bass, Mark Regev of Israel, and Nasser Al-Kidwa of the Palestinian people, I thank you, all three, for joining us tonight.

And when we come back, we're going to be having our first look at what's making headlines in tomorrow morning's newspapers -- just after this. (COMMERCIAL BREAK)

SAWYER: All right, we've got your sneak peek at tomorrow morning's headlines.

Let's start with "USA Today": Big businesses employ more Americans than small ones, this for the time ever. More Americans are working for big companies than small ones, this from the Small Business Administration. These are companies that have 500 or more workers. Experts say it's both good and bad news, because big companies offer better health benefits and retirement plans, most of them, but small businesses tend to have higher productivity and more loyal workers.

"The Boston Globe": Here you go: American and Continental -- you knew it was going to happen -- matching a move by Delta to stop paying base commissions to U.S. travel agents. The cut applies to domestic and international travel and tickets sold on the Internet. That could drive smaller travel agencies out of business. It could be consumers are going to be paying more to fly as airlines shift their costs and agents add fees.

And from the "L.A. Times": another Incan city found in Peru, the first major Inca find in four decades. Explorers have uncovered the ruins of a town that may have been one of the Incas' last refuges before they finally conquered by the Spanish in the 16th century, an ancient settlement 11,000 feet up on the slopes of a mountain peak near Machu Picchu. There you go.

Next on MSNBC: the broadcast "A REGION IN CONFLICT." Tonight, Ashleigh Banfield reports from Jordan.

But that is our broadcast for this Monday night. I'm Forrest Sawyer, sitting in for Brian Williams. And for all of us here at NBC News, we thank you for joining us and we wish you